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# THE PIERCE-ARROW MOTOR CAR COMPANY

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## SIXTH ANNUAL REPORT

FOR THE YEAR ENDED

DECEMBER 31, 1922

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# THE PIERCE-ARROW MOTOR CAR COMPANY

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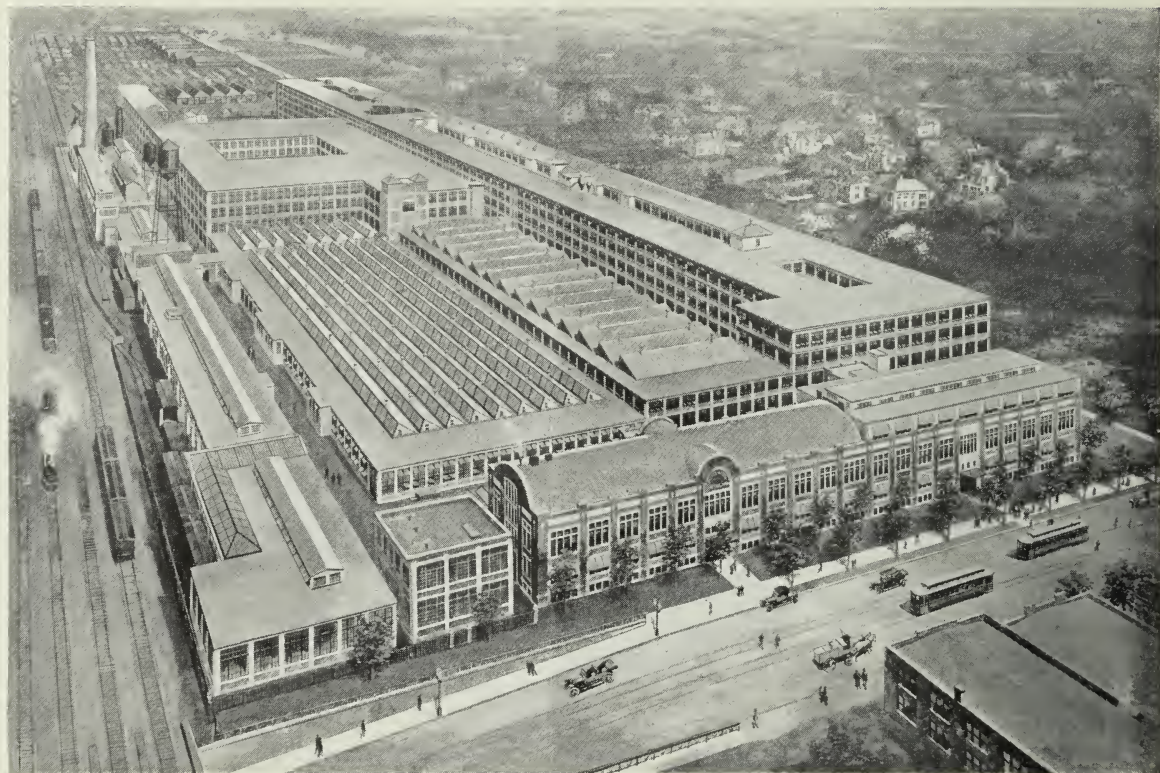
## SIXTH ANNUAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 1922

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1695 Elmwood Avenue,

Buffalo, New York

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P611  
1922

## THE PIERCE-ARROW MOTOR CAR COMPANY

### BOARD OF DIRECTORS

|                   |   |   |   |   |   |   |                 |
|-------------------|---|---|---|---|---|---|-----------------|
| CHARLES CLIFTON   | . | . | . | . | . | . | Buffalo, N. Y.  |
| WALTER P. COOKE   | . | . | . | . | . | . | Buffalo, N. Y.  |
| JOSEPH G. DUDLEY  | . | . | . | . | . | . | Buffalo, N. Y.  |
| MYRON E. FORBES   | . | . | . | . | . | . | Buffalo, N. Y.  |
| JOHN C. JAY, JR.  | . | . | . | . | . | . | New York, N. Y. |
| WALTER G. KIMBALL | . | . | . | . | . | . | New York, N. Y. |
| E. A. POTTER, JR. | . | . | . | . | . | . | New York, N. Y. |
| C. J. SCHMIDLAPP  | . | . | . | . | . | . | New York, N. Y. |
| ALBERT STRAUSS    | . | . | . | . | . | . | New York, N. Y. |

# THE PIERCE-ARROW MOTOR CAR COMPANY

## OFFICERS

|                 |   |   |   |   |   |   |                                      |
|-----------------|---|---|---|---|---|---|--------------------------------------|
| CHARLES CLIFTON | - | . | . | . | . | . | <i>Chairman of Board</i>             |
| MYRON E. FORBES | . | - | . | . | . | . | <i>President and General Manager</i> |
| S. O. FELLOWS   | . | - | . | . | . | . | <i>Treasurer</i>                     |
| E. C. PEARSON   | . | - | . | . | . | . | <i>Secretary</i>                     |
| E. H. ROUNDS    | . | - | . | . | . | . | <i>Assistant Treasurer</i>           |
| C. SENFT        | . | . | - | . | . | . | <i>Assistant Treasurer</i>           |

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## TRANSFER AGENT

CENTRAL UNION TRUST COMPANY OF NEW YORK,  
80 BROADWAY, NEW YORK, N. Y.

## REGISTRAR OF TRANSFERS

THE CHASE NATIONAL BANK,  
57 BROADWAY, NEW YORK, N. Y.

# PRESIDENT'S REPORT

Buffalo, N. Y., March 6th, 1923.

## TO THE STOCKHOLDERS:

The sixth annual report of The Pierce-Arrow Motor Car Company for the year ended December 31, 1922, together with the certified balance sheet of our Auditors, is herewith submitted.

### INCOME ACCOUNT

Earnings from operations during the year 1922, after providing \$706,302.20 for depreciation of property and equipment, but before charging interest on bank loans, amounted to \$571,990.83. Interest on bank loans amounted to \$561,182.19 for the year.

### CAPITAL ACCOUNT

The Plant and Equipment have been fully maintained and the cost has been absorbed in the factory operating expenses. During the year miscellaneous capital expenditures amounting to \$25,562.49 were made. An amount of \$79,978.59 representing the book value of tools not used in the manufacture of current product was charged against the reserve for depreciation.

### WORKING CAPITAL

The net working capital of the Company at December 31, 1922, before taking into account the new financing, amounted to \$4,976,008.68, as follows:

#### Current Assets:

##### Inventories—

|                                                          |                 |
|----------------------------------------------------------|-----------------|
| (At cost or approximate market—whichever is lower) ..... | \$10,551,398.86 |
| Receivables, etc., as per balance sheet .....            | 1,958,440.55    |
| Cash .....                                               | 1,132,846.30    |

---

|                            |                 |
|----------------------------|-----------------|
| Total current Assets ..... | \$13,642,685.71 |
|----------------------------|-----------------|

#### Liabilities:

|                                  |                |
|----------------------------------|----------------|
| Notes payable (Bank loans) ..... | \$7,150,000.00 |
| Accounts payable .....           | 1,408,077.03   |
| Dealers' deposits .....          | 108,600.00     |

---

|                         |              |
|-------------------------|--------------|
| Total liabilities ..... | 8,666,677.03 |
|-------------------------|--------------|

---

|                           |                |
|---------------------------|----------------|
| Net working capital ..... | \$4,976,008.68 |
|---------------------------|----------------|

The inventories have been based on physical checks during the year as to quantities, and are valued at cost or approximate market—which ever is lower, as of December 31, 1922. The items constituting the inventories are well proportioned for economical operations.

### GENERAL

The cars and trucks now being produced are admittedly the best the Company has ever offered to the public, and are meeting with enthusiastic approval throughout the country.

In order to widen our market and to increase the volume of passenger car business, a substantial reduction in the price of all passenger car models was made in July, 1922. This price reduction brought about the desired increase of volume. The factory thereafter was enabled to operate more efficiently and under a considerably reduced overhead cost per vehicle.

Since the close of the fiscal year, arrangements have been made to deal with the Company's bank loans by the Financial Plan set forth in the Company's circular to shareholders, dated January 27, 1923. This Plan having been approved by the Shareholders on February 19, 1923, the Company has secured the money needed for its requirements. A copy of the above circular, which gives much information of interest to shareholders, is enclosed herewith.

The balance sheet as of December 31, 1922, certified by Price, Waterhouse & Co., is presented herewith. This balance sheet gives effect to the above financing and shows the condition of the Company as it enters the current year.

### FUTURE

The prospects for the future are bright. The Company's passenger cars and trucks are admittedly the best that even the Pierce-Arrow Company, with its great reputation, has ever placed on sale. Car and truck sales since January 1, 1923, indicate that this fact is appreciated by the users of high-grade passenger cars and motor trucks. Orders for January and February show an increase in units of 228% in excess of the corresponding period of last year. Shop overhead is now lower than ever before in the history of the Company.

The Company's quality of product, factory efficiency, and distributors' organization are better than ever before; this is evidenced by low factory overhead and by the steadily and strongly growing demand for its products. Everything indicates that this growth will continue.

By order of the Board of Directors,

MYRON E. FORBES,  
President.

CHARLES CLIFTON,  
Chairman of the Board.

# PRICE, WATERHOUSE & CO.

UNITED STATES, CANADA, MEXICO  
GREAT BRITAIN

CONTINENTAL EUROPE, ETC.  
PRICE, WATERHOUSE, PEAT & CO.

SOUTH AMERICA  
PRICE, WATERHOUSE, FALLER & CO.

ALSO, GREAT BRITAIN  
W. S. PEAT & CO.

56 PINE STREET

NEW YORK

February 16, 1923.

TO THE STOCKHOLDERS  
OF  
THE PIERCE-ARROW MOTOR CAR COMPANY.

We have examined the books of the Pierce-Arrow Motor Car Company for the year ending December 31, 1922, and we certify that, in our opinion, the attached balance sheet fairly sets forth the financial position of the company at this date.

(Signed) PRICE, WATERHOUSE & CO.

# THE PIERCE-ARROW

## BALANCE SHEET

### ASSETS

#### PROPERTY ACCOUNT:

|                                                          |                 |
|----------------------------------------------------------|-----------------|
| Plant site, buildings, machinery and equipment . . . . . | \$ 8,781,358.11 |
| Less—Reserve for depreciation . . . . .                  | 3,212,366.05    |

\$ 5,568,992.06

|                                   |      |
|-----------------------------------|------|
| Patents, Trademarks, etc. . . . . | 2.00 |
|-----------------------------------|------|

\$ 5,568,994.06

#### INVESTMENT IN AND ADVANCE TO FOREIGN AND DOMESTIC

|                         |               |
|-------------------------|---------------|
| BRANCHES . . . . .      | \$ 322,267.14 |
| Less—Reserves . . . . . | 200,000.00    |

122,267.14

#### CURRENT ASSETS:

Inventories valued at cost or approximate market—whichever is lower:

|                                               |               |
|-----------------------------------------------|---------------|
| Finished vehicles . . . . .                   | \$ 970,282.71 |
| Work in progress and finished parts . . . . . | 5,047,073.51  |
| Raw material, supplies, etc. . . . .          | 4,534,042.64  |

|                             |                 |
|-----------------------------|-----------------|
| Total inventories . . . . . | \$10,551,398.86 |
|-----------------------------|-----------------|

|                                         |                |
|-----------------------------------------|----------------|
| Notes and accounts receivable . . . . . | \$1,730,841.06 |
|-----------------------------------------|----------------|

|                                                               |            |
|---------------------------------------------------------------|------------|
| Less — Reserve for doubtful accounts and allowances . . . . . | 100,000.00 |
|---------------------------------------------------------------|------------|

1,630,841.06

U. S. Government War Department account (Payment withheld pending settlement of claims by the Government for additional excise taxes)

179,409.90

Miscellaneous investments and deposits

148,189.59

|                                     |              |
|-------------------------------------|--------------|
| Cash in Banks and on hand . . . . . | 1,132,846.30 |
|-------------------------------------|--------------|

13,642,685.71

#### DEFERRED CHARGES TO FUTURE OPERATIONS

79,813.99

#### Total Assets

\$19,413,760.90

#### DEFICIT AS PER STATEMENT ATTACHED

4,679,328.03

\$24,093,088.93

DECEMBER 31, 1922

95,000.00

\$24,093,088.93

**THE PIERCE-ARROW MOTOR CAR COMPANY**  
**SUMMARY OF DEFICIT**  
**DECEMBER 31, 1922**

| PARTICULARS                                                                                                                                                       | Amount          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Deficit at January 1, 1922 . . . . .                                                                                                                              | \$ 4,422,165.44 |
| <b>Deduct</b> —Profits from operations for the<br>year ending December 31, 1922 (after<br>provision for depreciation in the<br>amount in \$706,302.20)* . . . . . | 571,990.83      |
|                                                                                                                                                                   | <hr/>           |
| Balance                                                                                                                                                           | \$ 3,850,174.61 |
| <b>Add</b> —Interest charges                                                                                                                                      | 561,182.19      |
|                                                                                                                                                                   | <hr/>           |
| Together                                                                                                                                                          | \$ 4,411,356.80 |
| <b>Add</b> —Amount expended for changes in<br>models shipped in 1921 in excess of<br>amount reserved therefor at December<br>31, 1921 . . . . .                   | 267,971.23      |
|                                                                                                                                                                   | <hr/>           |
| Together, Deficit at December 31,<br>1922 . . . . .                                                                                                               | \$ 4,679,328.03 |
|                                                                                                                                                                   | <hr/> <hr/>     |

\*NOTE—Full depreciation has been provided for the year 1922 although the operations were less than 50% of capacity.

# PRICE, WATERHOUSE & CO.

UNITED STATES, CANADA, MEXICO  
GREAT BRITAIN

CONTINENTAL EUROPE, ETC.  
PRICE, WATERHOUSE, PEAT & CO.  
SOUTH AMERICA  
PRICE, WATERHOUSE, FALLER & CO.  
ALSO, GREAT BRITAIN  
W. B. PEAT & CO.

56 PINE STREET

NEW YORK

March 12, 1923.

MR. M. E. FORBES, PRESIDENT  
THE PIERCE-ARROW MOTOR CAR COMPANY,  
BUFFALO, NEW YORK.

DEAR SIR:

In accordance with your request we have examined the attached balance sheet of The Pierce-Arrow Motor Car Company as at December 31, 1922, and beg to advise you that, in our opinion, it is prepared so as to reflect correctly the position of the company as shown by our audited accounts, but giving effect as at that date to the following proposed transactions outlined in a circular letter to the stockholders, dated January 27, 1923, and ratified by them on February 19, 1923:

- (a) The sale of \$4,200,000 20-year 8% debentures and 15,750 shares of prior preference stock of no par value, and the application of the proceeds in part in reduction of liabilities
- (b) The deposit of \$4,200,000 first mortgage bonds of an authorized issue of \$6,000,000 as collateral to the "One-year 6% notes payable"
- (c) The valuation by the company of its goodwill at \$5,000,000
- (d) The deduction of the deficit at December 31, 1922 from the capital represented by the common stock.

Yours very truly,

(Signed) PRICE, WATERHOUSE & CO.

# THE PIERCE-ARROW

## BALANCE SHEET

(Giving effect as of that date to (a) the sales of \$4,200,000 20-year 8% debentures and 15,750 shares of prior preference stock of no par value and the application of the proceeds in part in reduction of liabilities; (b) the deposit of \$4,200,000 first mortgage

### ASSETS

#### PROPERTY ACCOUNT:

|                                                          |                 |                 |
|----------------------------------------------------------|-----------------|-----------------|
| Plant site, buildings, machinery and equipment . . . . . | \$ 8,781,358.11 |                 |
| Less—Reserve for depreciation . . . . .                  | 3,212,366.05    |                 |
|                                                          | <hr/>           | \$ 5,568,992.06 |

|                                      |              |
|--------------------------------------|--------------|
| PATENTS, TRADE-MARKS, GOODWILL, ETC. | 5,000,000.00 |
|--------------------------------------|--------------|

#### INVESTMENTS IN AND ADVANCES TO FOREIGN

|                                      |            |
|--------------------------------------|------------|
| AND DOMESTIC BRANCHES, LESS RESERVES | 122,267.14 |
|--------------------------------------|------------|

#### CURRENT ASSETS:

Inventories valued at prices not in excess of cost or approximate market:

|                                               |               |               |
|-----------------------------------------------|---------------|---------------|
| Finished vehicles . . . . .                   | \$ 970,282.71 |               |
| Work in progress and finished parts . . . . . | 5,047,073.51  |               |
| Raw materials, supplies, etc. . . . .         | 4,534,042.64  |               |
|                                               | <hr/>         | 10,551,398.86 |

|                                                                                             |              |
|---------------------------------------------------------------------------------------------|--------------|
| Notes and accounts receivable, less reserves for doubtful accounts and allowances . . . . . | 1,630,841.06 |
|---------------------------------------------------------------------------------------------|--------------|

|                                                   |            |
|---------------------------------------------------|------------|
| U. S. Government War Department account . . . . . | 179,409.90 |
|---------------------------------------------------|------------|

(Payment withheld pending settlement of claims by Government for additional excise taxes)

|                                                  |              |
|--------------------------------------------------|--------------|
| Miscellaneous investments and deposits . . . . . | 148,189.59   |
| Cash . . . . .                                   | 1,332,846.30 |
|                                                  | <hr/>        |

13,842,685.71

#### DEFERRED CHARGES TO OPERATIONS:

|                                                                                   |                 |
|-----------------------------------------------------------------------------------|-----------------|
| Prepaid insurance, taxes, interest and commission on sale of securities . . . . . | 429,813.99      |
|                                                                                   | <hr/>           |
|                                                                                   | \$24,963,758.90 |

# MOTOR CAR COMPANY

DECEMBER 31, 1922

bonds of an authorized issue of \$6,000,000 as collateral to the "one-year 6% notes payable"; (c) the valuation by the company of its goodwill at \$5,000,000; and (d) the deduction of the deficit at December 31, 1922 from the capital represented by the common stock).

## LIABILITIES

### CAPITAL:

(Of the stated value of \$15,325,000.00)

Convertible prior preference stock—

Authorized and issued—15,750 shares  
of no par value but of the stated  
value of \$100 per share . . . \$ 1,575,000.00  
(Carrying cumulative dividend of  
\$8.00 per share from April 1,  
1923)

8% cumulative, convertible preferred  
stock

Authorized and issued—100,000 shares  
of \$100 each . . . 10,000,000.00

(Note: Dividends unpaid since March 1921)

Common stock:

Authorized—328,750 shares of no par  
value

Issued—250,000 shares of no par value  
but of the stated value of \$1,250,-  
000.00 . . . 4,077,081.87

\$15,652,081.87

### FIRST MORTGAGE BONDS:

Authorized . . . \$6,000,000.00

Less—Unissued . . . 1,800,000.00

4,200,000.00

Deposited as collateral for one year 6%  
notes payable . . . 4,200,000.00

--

### TWENTY-YEAR 8% DEBENTURES

4,200,000.00

### ONE-YEAR 6% NOTES PAYABLE

3,500,000.00

(Secured by \$4,200,000 first mortgage bonds)

### CURRENT LIABILITIES:

Accounts Payable, accrued payrolls, etc. . . 1,408,077.03

Customers' deposits . . . 108,600.00

1,516,677.03

### OPERATING AND CONTINGENCY RESERVES

95,000.00

\$24,963,758.90









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